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July 12, 2005

The Honorable George W. Bush
President of the United States
1600 Pennsylvania Avenue NW
Washington, DC

Dear Mr. President,

Like many in the agricultural and trade communities, I am concerned by your remarks regarding the United States trade negotiating position prior to the G-8 conference in Scotland. I was particularly concerned by the sudden change in U.S. agricultural trade policy implied in your statement that the U.S. and the European Union should "join hands as wealthy industrialized nations and say to the world, we are going to get rid of all of our agricultural subsidies together."

Mr. President, it is my understanding that U.S. policy has never sought to eliminate all domestic agricultural support programs in the Doha Round of the World Trade Organization trade negotiations. Initially, the U.S. position on reductions in trade-distorting domestic programs was to limit them to five percent of the value of agricultural production. For the U.S., that would represent approximately a 50 percent reduction from current limits. This initial position was subsequently modified to support a "substantial reduction" in such programs.

Your statement cannot be comforting to our negotiators at the WTO, already undercut by your budget proposal that shifts U.S. food aid contributions to cash donations. It also undermines the confidence other countries have in the U.S. position on agricultural trade. Like me, they want to know, what is the U.S. position on agricultural trade? Is it the policy that has evolved through formal negotiations since 2002? Or, is it a completely new policy based on the U.S. President's brief comments made in a press interview?

Eliminating U.S. and E.U. farm support programs would achieve only a fraction of the desired effect of helping developing countries by expanding trade. A 2004 World Bank study suggests that tariff reform, not elimination of developed countries' domestic

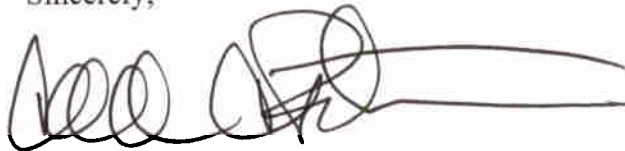
support programs, would provide a more meaningful form of assistance to developing countries.

At the same time, this change in policy leaves American producers vulnerable to foreign trade distortion without doing anything to expand market access to compensate for the loss of domestic programs. This is particularly true of export opportunities into European and developing countries. Without market access concessions on the part of these countries, which are not part of the policy you briefly outlined in your initial press interview, U.S. producers would forgo substantial trade gains needed to offset the loss of assistance from domestic support programs.

In fact, your proposal would erase programs that U.S. negotiators could offer to reduce or eliminate in return for expanded U.S. access to overseas markets for U.S. agricultural products in current or subsequent multilateral negotiations. More importantly, it would remove the means of assisting U.S. producers in response to predatory trade practices of other countries who do not find themselves limited under your proposal.

Mr. President, it has always been my belief that multilateral negotiations in the WTO, rather than the piecemeal approach of regional trade agreements provide the best opportunity to address international agricultural trade in a comprehensive manner. The WTO has the potential to achieve an evenhanded reduction in the most trade-distorting policies of all countries. This would afford U.S. producers a reasonable prospect to realize improvements in their incomes through the market place. That is not practical with your proposal, which ignores the market access problems that agricultural trade negotiations must address.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Collin C. Peterson', with a long horizontal line extending to the right.

Collin C. Peterson
Ranking Democratic Member